

Message Text

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61
ACTION SS-30

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EXDIS

E.O. 11652: GDS
TAGS: EIND, PFOR, DR
SUBJECT: GULF & WESTERN AMERICAS TURNS OVER A NEW LEAF

1. THIS MESSAGE WILL SUMMARIZE EMBASSY EFFORTS OVER THE PAST TWO MONTHS TO PERSUADE GULF & WESTERN AMERICAS CORPORATION (GWA), FLORIDA-BASED SUBSIDIARY OF GULF & WESTERN, TO TAKE SUBSTANTIVE STEPS TO IMPROVE ITS IMAGE IN THE DOMREP. GWA AND ITS PARENT COMPANY HAVE PURSUED AN ENLIGHTENED POLICY HERE, REPLETE WITH GOOD INTENTIONS AND WITH A HIGH PERCENTAGE OF THOSE INTENTIONS REALIZED. NONE-THELESS, AS DEPT AWARE, GWA SIZE, ITS LACK OF A COHERENT POLICY AND INEPT OR TOTALLY ABSENT PUBLIC RELATIONS HAVE CAUSED CONSIDERABLE UNEASINESS HERE. PREDICTABLY, LEFTIST POLITICAL ORGANIZATIONS AND PRESS HAVE FOUND GWA AN ATTRACTIVE TARGET. MODERATE AND CONSERVATIVE POLITICAL GROUPS HAVE ALSO, HOWEVER, CALLED FOR NATIONALIZATION OF GWA. PERHAPS EVEN MORE SERIOUS HAS BEEN THE RECENT DISENCHANTMENT WITH GWA ACTIVITIES ON THE PART OF MANY OF THE PRIVATE ECONOMIC POWERHOUSES HERE (BERMUDEZ, TAVARES, BARLETTA, VICINI, REID, PASTORIZA, ETC). A NUMBER OF U.S. BUSINESSMEN HAVE ALSO PRIVATELY EXPRESSED CONCERN TO THE EMBASSY OVER HOW THE GROWING CRITICISM OF GWA MIGHT AFFECT THE FUTURE OF THEIR COMPANIES. FINALLY, THE EMBASSY HAS BELIEVED THAT THE TENDENCY HERE TO LUMP TOGETHER THE USG AND "BIG US BUSINESS" WOULD SERIOUSLY AND ADVERSELY AFFECT OUR MISSION, IF GWA CONTINUED UNCHECKED. WE FELT WE HAD THE MAKINGS OF A PERU/IP CASE AND THAT FOR ALL OF THE ABOVE REASONS, SOME ACTION ON OUR PART WAS INDICATED.

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2. EXAMINATION OF THIS PROBLEM LED TO THE DISCREET ESTABLISHMENT OF A SMALL, EMBASSY TASK FORCE, CHAIRED BY THE AMBASSADOR, TO SEE WHAT COULD BE DONE TO PERSUADE GWA TO REDEFINE ITS POLICY, LIMIT ITS RAPIDLY EXPANDING ACTIVITIES, SELL OFF THOSE ENTERPRISES

THAT WERE CAUSING MOST CONCERN AND OTHERWISE UNDERTAKE CONCRETE STEPS TO IMPROVE ITS IMAGE. SPECIFIC OBJECTIVES AND PROGRAMS WERE DEVISED, AND AS A RESULT THERE OCCURRED SIX PRIVATE MEETINGS BETWEEN THE AMBASSADOR AND GWA PRESIDENT ALVARO CARTA, ONE DISCUSSION OF THE PROBLEM BETWEEN PRESIDENT BALAGUER AND THE AMBASSADOR, A MEETING BETWEEN ALVARO CARTA, GULF & WESTERN CHAIRMAN CHARLES BLUDHORN AND THE AMBASSADOR, AND A FINAL MEETING DEC 10 BETWEEN CARTA AND PRESIDENT BALAGUER. THIS FAIRLY INTENSIVE ACTIVITY PRODUCED THE FOLLOWING FIVE-POINT PROGRAM, APPROVED BY THE PRESIDENT, BLUDHORN AND CARTA:

(A) GWA WILL NOT EXPAND INTO NEW AREAS OF INVESTMENT IN THE DOMINICAN REPUBLIC;

(B) GWA WILL LIMIT ITS CURRENT ACTIVITIES TO GROWING AND PROCESSING SUGAR CANE, AGRICULTURAL DIVERSIFICATION INCLUDING CATTLE, THE INDUSTRIAL FREE ZONE AT LA ROMANA, AND TOURISM.

(C) GWA WILL SELL OFF IN A GRADUAL AND ORDERLY FASION (SO AS NOT TO ROCK THE ECONOMIC BOAT HERE) ITS INTEREST IN ALL THE OTHER ENTERPRISES IN WHICH IT PARTICIPATES SUCH AS ITS FINANCE COMPANY COFINASA AND THE CEMENT PLANT. IN ADDITION, IT WILL SEEK EQUITY PARTICIPATION FROM OTHER PRIVATE SOURCES (PREFERABLY DOMINICAN) IN SUCH PROJECTS AS THE CONSTRUCTION OF THE SANTO DOMINGO HOTEL AND THE RENOVATION OF THE HISPANIOLA HOTEL.

(D) GWA WILL PROCEED VIGOROUSLY WITH THE ESTABLISHMENT OF ITS PLANNED FOUNDATION WHICH IS TO BE DEVOTED SOLELY TO NON-PROFIT SOCIO-ECONOMIC DEVELOPMENT PROJECTS. DISTINGUISHED, INDEPENDENT DOMINICANS WILL BE OFFERED MEMBERSHIP ON THE FOUNDATION'S BOARD.

(E) ALL GWA PROFITS AFTER TAXES WHICH CAN NOT BE REPATRIATED IN ACCORDANCE WITH EXISTING LAW WILL BE TURNED OVER TO THE FOUNDATION.

3. IT WAS ALSO AGREED THAT THIS NEW POLICY WOULD BE MADE PUBLIC AT A TIME AND IN A FORUM AGREED TO BY PRESIDENT BALAGUER. ON CONFIDENTIAL

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DEC 10 CARTA MET WITH THE PRESIDENT WHO WAS REPORTEDLY SO GRATIFIED BY THE SHIFT IN POLICY THAT HE DESIRED PERSONALLY TO ANNOUNCE IT. ACCORDING TO CARTA, THE PRESIDENT PREFERS TO MAKE PUBLIC

THE NEW GWA POLICY DURING HIS ANNUAL FEBRUARY 27 "STATE-OF-THE-NATION"

SPEECH TO THE DOMINICAN PEOPLE. HE PERCEIVED NO OBJECTION, CARTA REPORTED, TO GWA PROCEEDING TO IMPLEMENT ITS PLAN RIGHT AWAY, HOWEVER.

4. COMMENT: WE THINK THIS NEW PROGRAM WILL SERVE TO QUIET THE GROWING UNEASINESS HERE AND PROVIDE GWA WITH A RENEWED LEASE ON LIFE. WE CAN NOT, OF COURSE, PREDICT HOW GWA WILL FARE OVER THE LONG RUN, AND IT IS PERHAPS UNREALISTIC TO THINK THAT A

LARGE U.S. FIRM CAN EVER BE FREE OF HEAVY CRITICISM IN A LDC,
BUT WE SHOULD ALL BE ABLE TO FACE THE NEAR FUTURE HERE WITH
SOMEWHAT GREAT EQUANIMITY. MORE REMAINS TO BE DONE TO IMPROVE
THE GWA IMAGE AND WE SHALL BE GIVING THE MATTER FURTHER THOUGHT.
HURWITCH

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